

HOUSING AUTHORITY OF SALT LAKE CITY

FINANCIAL STATEMENTS

Eighteen Month Period Ended December 31, 2006

TABLE OF CONTENTS

	Pages
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT DISCUSSION AND ANALYSIS	3
FINANCIAL STATEMENTS	
Statement of Net Assets	7
Statement of Revenues, Expenses and Changes in Net Assets	9
Statement of Cash Flows	10
Notes to Financial Statements	12
SUPPLEMENTARY INFORMATION	
Schedule of Financial Data - Assets and Liabilities	25
Schedule of Financial Data - Revenue and Expenses	27
Business Activities Combining Schedule of Financial Data – Assets and Liabilities	28
Business Activities Combining Schedule of Financial Data – Revenue and Expenses	30
SINGLE AUDIT AND GOVERNMENTAL REPORTS	
Schedule of Expenditure of Federal Awards	32
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards	34
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	36
Schedule of Findings and Questioned Costs	38
Report on Legal Compliance with Applicable Utah State Laws and Regulations	45



Mayer Hoffman McCann P.C.

An Independent CPA Firm

175 South West Temple, Suite 650
Salt Lake City, Utah 84101
801-364-9300 ph
801-364-9301 fx
www.mhm-pc.com

INDEPENDENT AUDITORS' REPORT

Board of Commissioners

HOUSING AUTHORITY OF SALT LAKE CITY

We have audited the accompanying statement of net assets of the Housing Authority of Salt Lake City (the Authority) and the related statements of revenues, expenses and changes in net assets and cash flows, as of December 31, 2006 and for the eighteen month period then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2006, and the changes in its net assets and cash flows for the eighteen month period then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 1, 2007, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The Schedules of Financial Data, as required by the U.S. Department of Housing and Urban Development; the Business Activities Combining Schedules of Financial Data; and the Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are supplementary information and are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Authority. The information in the schedules referred to above has been subjected to the auditing procedures applied in the audits of the financial statements, and in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Mayer Hoffman McCann P.C.

Salt Lake City, Utah
August 1, 2007

Management Discussion and Analysis Housing Authority of Salt Lake City

As Management of the Housing Authority of Salt Lake City and its component units (the Authority) we offer readers of the financial statements this narrative overview and analysis of the financial activities of the Authority. Our most recent prior audited financial statements were as of and for the year ended June 30, 2005. The current audited financial statements are as of December 31, 2006 with operating results for the 18 month period then ended and include the financial reports for all programs of the Authority and its component units.

The Authority has changed all programs and the reporting for all component units to a calendar year for ease in reporting and auditing. In accordance with guidance received from the Department of Housing and Urban Development (HUD) the financial statements for the year of adoption of the new reporting period includes the statement of activities which reflects 18 months of operating results. For this reason analysis between the operating results for the year July 1, 2004 to June 30, 2005 and the 18 month period July 1, 2005 to December 31, 2006 would lack comparability. Accordingly our narrative regarding operating results will not include any comparisons of these two periods. Our analysis of the balance sheets as of June 30, 2005 and December 31, 2006 will include appropriate comparative reviews and comments.

The Authority prepares its financial statements using proprietary fund accounting. Propriety fund accounting uses full accrual basis principals. Revenues are recognized as earned and expenditures are recorded when incurred. The Authority receives funding from numerous sources. In order to properly account for the funds and restrictions on them, our accounts are maintained in accordance with the principals of fund accounting.

FINANCIAL HIGHLIGHTS

- **Operating revenue of the HASLC was \$39,922,906 for FY 2006.**
- **The HASLC long term debt outstanding, less current portion, of \$34,220,314 as of December 31, 2006.**
- **Net Assets at the beginning of the year were \$31,040,244 at the end of the year they were \$36,855,115, an increase of \$5,814,871.**

OVERVIEW OF THE HOUSING AUTHORITY OF SALT LAKE CITY

The Housing Authority of Salt Lake City was created in October 1970 to provide and promote safe and sanitary housing for low-income persons residing in Salt Lake City, Utah. The Authority is a municipal corporation located in Salt Lake City, Utah and was established under the Housing Authorities Act of the State of Utah in 1969.

A seven member Board of Commissioners govern the Authority. They are appointed by the Salt Lake City Mayor and City Council.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority's financial statements consist of two parts – management's discussion and analysis and the basic financial statements. The HASLC basic financial statements include the Authority wide financial statements and notes to the financial statements.

- **The HASLC wide financial statements provide information about the Authority's overall financial position and results from operations. These statements, which are presented**

on the accrual basis, consist of the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Fund Net Assets and the Statement of Cash flows.

- The Basic financial statements also include a "Notes to Financial Statements" section that provides additional information that is essential to a full understanding of the data provided in the HASLC wide statements.
- The Authority has changed all projects/funds to a December 31 year end. Prior to this change only a handful of properties were reported on a calendar year. The remaining programs/properties were reported on a June 30 year end.

The HASLC wide statements report information about the Authority as a whole using accounting methods similar to those used in private sector companies. The Statement of net assets includes all of the Authority's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Fund Net Assets regardless of when cash is received or paid.

The Authority wide statements report the Authority's net assets and how they changed. Net assets, the difference between the Authority's assets and liabilities, are one way to measure the Authority's financial position.

The Combined Agency Financial Statements are presented to provide readers with a broad overview of the Authority's finances much the same way as a private sector business does. The combining financial statements provide more detailed information about the Authority's most significant activities and not the Authority as a whole. These statements are divided into programs of related accounts that are used to maintain control over resources that have been segregated into specific activities or objectives.

AN OVERVIEW OF THE AUTHORITY-WIDE FINANCIAL POSITION AND OPERATIONS

The Authority's overall financial position and highlights of operations are presented below.

	<u>June 30, 2005</u>	<u>December 31, 2006</u>
Current Assets	\$12,526,845	\$ 8,530,321
Fixed Assets,	55,332,206	66,554,220
Other Assets	493,901	735,208
Total Assets	\$68,352,952	\$75,819,749
 Current Liabilities	 \$ 3,190,560	 \$ 4,280,552
Non-Current Liabilities	34,122,148	34,684,082
Net Assets	31,040,244	36,855,115
Total Liabilities and Net Assets	\$68,352,952	\$75,819,749

The Housing Authority and its two component unit non-profits, Housing Assistance Management Enterprise (HAME) and Housing Development Corporation have more than 1,349 housing units. The occupancy rates in the public housing units remained quite stable during the past year, above 95%. The Authority continues to have waiting lists for federal housing assistance of well over 4,000 families. Vacancy rates over the past 18 months have continued to shrink.

Our non-profit properties experienced lower vacancy rates than our public housing, however concessions were still being offered to renters up until the third quarter of 2006. We expected the market to rebound in 2006 and it did.

SIGNIFIGANT CHANGES IN INDIVIDUAL FUNDS

Property insurance costs were \$597,941 for the 18 months ended December 31, 2006. We continue to face increased costs in the future, although claims are minimal.

Utility costs continue to rise. Usage has been reduced because energy efficient lights and HVAC units have been installed in our buildings. Utility costs for the Agency were \$1,514,689 for the 18 months ended December 31, 2006.

The Cambridge Cove Apartments ended the year much better than anticipated. Occupancy is in the high 90th percentile and we are just starting to increase rents. The property ended the year with a small cash surplus.

LONG TERM DEBT

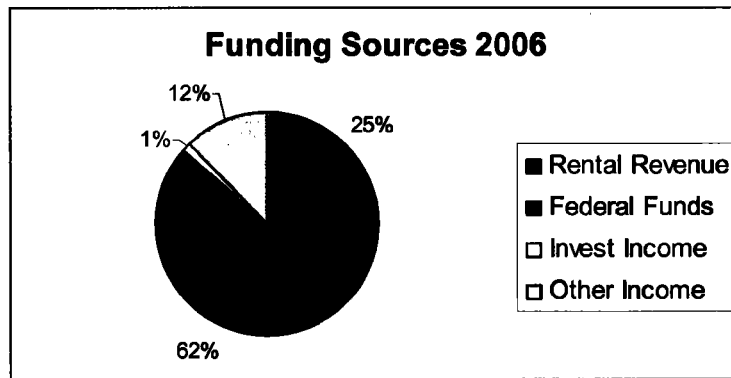
As of December 31, 2006, the Authority had a total debt outstanding of \$37,736,473, which includes inter-company debt of \$2,635,456. We continue to look at refinancing opportunities for our properties when available.

CAPITAL ASSETS

Air conditioning was installed at the Pauline Downs Apartments in 2005-06. However, through a series of events the Pauline Downs has yet to run the air conditioners full time in the summer because of noise issues. We are currently in the process of resolving those issues. Roofs were replaced at the Canterbury Apartments. This year's capital additions were due for the most part to the capital improvements completed on a variety of the Authority's public housing developments.

POTENTIAL IMPACTS ON FINANCIAL POSITION

The Authority received approximately 69% of its funding from Federal sources in FY 2005. That amount dropped to 62% in 2006. These funds are always at the discretion of the President and Congress. As a result, we are anticipating that some of our funding in certain program areas will be further reduced in 2007. The public housing program is under-going reform and moving to an asset based management program. This will have a significant impact on the agency as it changes its way of management, maintenance and accounting even though we will be disposing of some of our public housing. The opportunity to develop new affordable housing will increase significantly as we receive the funds from the sale of public housing units.



SUBSEQUENT EVENTS

The Sunrise Metro apartments were completed in April 2007. The complex had leased up to 85% of its units by May 31, 2007. This is a 100 unit complex for homeless individuals. There are case workers and 24 hour-a-day security on site.

The Authority submitted a request to HUD to sell 335 units of public housing in 2006. As Federal funds continue to be cut it has become apparent that the Authority must find a more efficient way to do business. The plan was approved by HUD in 2007 and replacement vouchers were awarded to the Authority in May of 2007. We will begin to implement the disposition plan by June 1, 2007. We will then leverage the funds received and build newer mixed income complexes that will sustain themselves in the future. We are continuing to investigate potential sites where we could build new complexes.

The Authority is in the process of implementing a new software system. We are anticipating it will be operational by July 2007.

The Board of Commissioners is in the process of hiring an Executive Director as the previous Director is retiring.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's accountability for all those interested. If you have additional questions regarding financial information, you can contact our office in writing at the following address:

The Housing Authority of Salt Lake City
Attn: Director of Finance
1776 South West Temple
Salt Lake City, UT 84115

HOUSING AUTHORITY OF SALT LAKE CITY

STATEMENT OF NET ASSETS

December 31, 2006

ASSETS

CURRENT ASSETS

Cash and cash equivalents, including restricted cash of \$1,420,840	\$ 6,940,011
Accounts receivable - net of allowance of \$48,668	629,494
Accounts receivable - HUD	610,415
Prepaid expenses	263,716
Inventories	86,685
TOTAL CURRENT ASSETS	<u>8,530,321</u>

CAPITAL ASSETS

Land	10,643,386
Buildings and improvements	70,559,129
Furniture, equipment, and machinery	3,510,451
Construction in progress	7,330,308
TOTAL CAPITAL ASSETS, at cost	<u>92,043,274</u>
Less accumulated depreciation	<u>(25,489,054)</u>
TOTAL CAPITAL ASSETS	<u>66,554,220</u>

OTHER ASSETS

Restricted cash	276,153
Notes receivable	12,904
Bond issue costs net of accumulated amortization of \$52,920	171,572
Intangibles, net of accumulated amortization of \$212,280	274,579
TOTAL OTHER ASSETS	<u>735,208</u>

TOTAL ASSETS	<u>\$ 75,819,749</u>
--------------	----------------------

See Notes to Financial Statements

HOUSING AUTHORITY OF SALT LAKE CITY

STATEMENT OF NET ASSETS

December 31, 2006

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 1,004,150
Accounts payable - HUD	151,655
Accrued liabilities	118,469
Accrued interest	460,630
Deferred revenue	1,449,012
Current portion of long-term debt	880,703
Other current liabilities	215,933
TOTAL CURRENT LIABILITIES	<u>4,280,552</u>

NONCURRENT LIABILITIES

Long-term debt, less current portion	34,220,314
Other noncurrent liabilities	463,768
TOTAL NONCURRENT LIABILITIES	<u>34,684,082</u>

NET ASSETS

Invested in capital assets, net of related debt	31,453,204
Restricted net assets	1,696,993
Unrestricted net assets	3,704,918
TOTAL NET ASSETS	<u>36,855,115</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 75,819,749</u>
-----------------------------------------	-----------------------------

See Notes to Financial Statements

HOUSING AUTHORITY OF SALT LAKE CITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Eighteen Month Period Ended December 31, 2006

OPERATING REVENUES	
Rental revenues	\$ 10,819,241
HUD grants	24,795,287
Other grants	2,022,150
Other revenues	2,286,228
TOTAL OPERATING REVENUES	<u>39,922,906</u>
OPERATING EXPENSES	
Administrative	6,418,719
Tenant services	841,562
Operating and maintenance	3,856,832
Utilities	1,514,689
General expenditures	1,341,242
Housing assistance payments	20,680,766
Depreciation and amortization	3,949,376
TOTAL OPERATING EXPENSES	<u>38,603,186</u>
OPERATING INCOME	<u>1,319,720</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest income	383,688
Interest expense net of interest capitalized of \$326,537	(2,215,302)
Gain on sale and disposals of property and equipment	935,396
TOTAL NON-OPERATING REVENUE (EXPENSES)	<u>(896,218)</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS AND GRANTS	<u>423,502</u>
CAPITAL CONTRIBUTIONS AND GRANTS	
Capital grants - HUD	1,279,945
Capital contributions from general and limited partners	4,111,424
TOTAL CAPITAL CONTRIBUTIONS	<u>5,391,369</u>
CHANGE IN NET ASSETS	5,814,871
NET ASSETS, BEGINNING OF PERIOD	<u>31,040,244</u>
NET ASSETS, END OF PERIOD	<u>\$ 36,855,115</u>

See Notes to Financial Statements

HOUSING AUTHORITY OF SALT LAKE CITY

STATEMENT OF CASH FLOWS

Eighteen Month Period Ended December 31, 2006

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from HUD	\$ 24,605,518
Cash received from tenants	10,750,142
Cash received from other sources, including maintenance, legal charges, other grants, and insurance proceeds	4,112,049
Cash paid for housing assistance payments	(20,680,766)
Cash paid for general and administrative expenses, including maintenance, administration, and utilities	(13,335,630)
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>5,451,313</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	<u>383,688</u>
-------------------	----------------

**CASH FLOWS FROM CAPITAL AND
RELATED FINANCING ACTIVITIES**

Purchases of capital assets	(15,549,680)
Proceeds from sale of capital assets	1,528,229
Proceeds from notes payable	2,230,736
Principal payments on long term debt	(1,709,143)
Grant income - HUD	1,279,945
Capital contributions	4,111,424
Payments for loan origination fees	(40,500)
Interest paid on bonds and notes	(2,144,737)
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(10,293,726)</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS (4,458,725)

**CASH AND CASH EQUIVALENTS, BEGINNING
OF PERIOD** 11,674,889

CASH AND CASH EQUIVALENTS, END OF PERIOD \$ 7,216,164

See Notes to Financial Statements

HOUSING AUTHORITY OF SALT LAKE CITY

STATEMENT OF CASH FLOWS

Eighteen Month Period Ended December 31, 2006

RECONCILIATION OF OPERATING INCOME TO NET

CASH FLOWS FROM OPERATING ACTIVITIES:

Operating income	\$ 1,319,720
Adjustments to reconcile operating income to net cash used in operating activities:	
Depreciation and amortization	3,928,280
Amortization of bond issue costs	21,096
(Increase) decrease in assets:	
Accounts receivable	(259,608)
Accounts receivable - HUD	(321,822)
Prepaid expenses	(153,972)
Inventories	(2,952)
Notes receivable	(5,820)
Increase (decrease) in liabilities:	
Accounts payable	(34,809)
Accounts payable - HUD	132,053
Accrued liabilities	(36,005)
Other current liabilities	852,131
Other noncurrent liabilities	13,021

NET CASH FLOWS FROM OPERATING ACTIVITIES \$ 5,451,313

ADDITIONAL INFORMATION

Cash and cash equivalents	\$ 5,519,171
Restricted cash and cash equivalents	1,696,993
	<u><u>\$ 7,216,164</u></u>

See Notes to Financial Statements

HOUSING AUTHORITY OF SALT LAKE CITY

NOTES TO FINANCIAL STATEMENTS

(1) Summary of significant accounting policies

Organization and history - The Housing Authority of Salt Lake City (the Authority) is a municipal corporation created in 1970 to provide and promote safe housing for low-income persons residing in Salt Lake City, Utah.

Public Housing - The Authority administers a total of 3,273 low-rent housing units under various programs of the U.S. Department of Housing and Urban Development (HUD). The Authority owns 747 units which are rented to low and moderate income, elderly and transitional individuals in accordance with HUD guidelines. Rental subsidies are paid by HUD directly to the Authority. The remaining 2,526 units are privately owned and the Authority pays HUD rent subsidies directly to the owners.

Mixed Finance and Nonprofit Housing - As required by generally accepted accounting principles for governmental entities, the financial statements of the Authority include certain entities as blended component units because these entities share a common board and management and are financially interdependent with the Authority. Blended component units, although legally separate entities, are, in substance, part of the Authority's operations and so data from these entities are combined with data of the Authority. These entities are classified as business activities in the supplemental information and include Housing Development Corporation (HDC), Housing Assistance Management Enterprise (HAME), Cedar Crest LLC, Pauline Downs LLC, Jefferson School Apartments LLC, JSA II LLC, Sunrise Metro LLC, Canterbury and Cambridge Cove.

HDC, a Utah nonprofit corporation, was organized in 1982 to develop housing facilities for persons of low and moderate income. HDC operates four housing projects with a total of 275 units. HAME, a Utah nonprofit corporation, was organized in 1991 to develop housing facilities for persons of low and moderate income. HAME operates one housing project with a total of 32 units and is a general member of four low income housing tax credit limited liability companies; Jefferson School Apartments, LLC (84 units), JSA II, LLC (84 units), Sunrise Metro, LLC (100 units) and Cedar Crest LLC (12 units). Pauline Downs, a Utah limited liability company, was organized in 1993 and has rehabilitated 113 housing units for persons of low and moderate income. The Cambridge Cove property consists of 72 units. The Canterbury property consists of 78 units.

Basis of presentation and accounting - The Authority prepares its financial statements in conformity with U.S. generally accepted accounting principles as applied to governmental entities and uses proprietary fund accounting. Proprietary fund accounting utilizes full accrual basis principles. Revenues are recognized as earned and expenditures are recorded when incurred.

Operating income reported in the financial statements includes revenues and expenses related to the primary, continuing operations of the entity. Principal operating revenues include tenant rents and HUD grants. Principal operating expenses are the costs of providing goods or services and include administrative expenses, housing assistance payments and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

HOUSING AUTHORITY OF SALT LAKE CITY

NOTES TO FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (continued)

The Authority receives funding from a variety of sources. In order to insure observance of limitations and restrictions placed on the use of resources, appropriations, grants or contracts for various purposes are classified for accounting purposes by programs in accordance with specified activities or objectives.

In accordance with HUD prescribed accounting practices, the Authority has adopted the Statement of Government Accounting Standards (SGAS) No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting. The Authority has elected to apply all applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principle Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements.

Fiscal year end - The Authority changed its fiscal year from June 30th to a calendar year end. Certain blended component units, including Pauline Downs, LLC, HAME, Cedarcrest LLC, Jefferson School Apartments, LLC, JSA II, LLC, and Sunrise Metro, LLC, were previously reported based on a calendar year end. In order to facilitate the change in fiscal year end and reporting requirements for REAC, the Authority is presenting financial statements for the eighteen month period ended December 31, 2006. For properties that were already reported on a calendar year end, as a result the current period presentation is for the twenty-four months ended December 31, 2006.

Capital grants and contributions - The Authority receives grants from HUD which are externally restricted for construction and improvements on public housing. As required by SGAS No. 33, Accounting of Financial Reporting for Nonexchange Transactions, the Authority recorded \$1,279,945 as capital contributions for the eighteen month period ended December 31, 2006. The Authority also received \$3,179,881 and \$931,543 in capital contributions for construction from the limited partners of Sunrise Metro, LLC and JSA II, LLC, respectively.

Classification of revenue -

Operating revenues - Operating revenues include exchange transactions associated with providing housing and related services, and federal operating subsidies and governmental grants that are directly related the Authority's mission.

Non-operating revenues - Non-operating revenues include capital federal grants, interest revenue, and other revenues not meeting the definition of operating.

Cash and cash equivalents and investments - The Authority considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Accounts receivable - Accounts receivable is recorded net of an allowance for expected losses. The allowance is estimated from historical performance, projections and review of specific accounts. An account is written off when it is determined that all collection efforts have been exhausted.

Inventories - Inventories consist primarily of maintenance supplies and are stated at the lower of cost or market value.

HOUSING AUTHORITY OF SALT LAKE CITY

NOTES TO FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (continued)

Capital assets – Capital assets consist primarily of buildings and equipment and are recorded at cost. Depreciation of property and equipment is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	7-40
Furniture, equipment and machinery	3-7

Construction in progress is recorded at cost and consists of federal projects funded by HUD and non-federal projects funded by debt or other sources. The projects are accounted for as construction in progress until substantially completed and placed in service. No depreciation is provided on construction in progress until the project is substantially complete and the asset is placed in service.

Net assets – The Authority's net assets are classified as follows:

Invested in capital assets, net of related debt – This component of net assets consists of the Authority's total investment in capital assets, net of accumulated depreciation, reduced by the outstanding debt obligations related to those assets. To the extent debt has been incurred, but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt

Restricted net assets – This component of net assets consists of that portion of net assets that is restricted by debt covenants to be expended for capital assets and restricted by debt covenants for debt services.

Unrestricted net assets – This component of net assets consist of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Capitalization of interest – The Authority capitalizes interest costs as a component of the cost of buildings constructed for their own use unless the projects are funded by grants. Interest capitalized was \$326,537 for the eighteen month period ended December 31, 2006.

Amortization - Amortization of bond issue costs and bond discounts is computed on the straight-line method (which approximates the effective interest method) over the life of the related revenue bonds. The revenue bond advance refunding difference is amortized using the straight-line method over the shorter of the remaining life of the old debt or the life of the new bonds.

Amortization of loan costs is computed on the straight-line method over the life of the related debt.

Use of estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

HOUSING AUTHORITY OF SALT LAKE CITY

NOTES TO FINANCIAL STATEMENTS

(2) Cash and cash equivalents

Deposits, including those in restricted assets, are defined as cash or cash equivalents on deposit with financial institutions. State law requires that funds be deposited with a "qualified depository" as defined by the Utah Money Management Act. "Qualified depository" includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements of Rule 11 of the Utah Money Management Act. All deposits at December 31, 2006 were made with certified institutions in accordance with the Utah Money Management Act as follows:

Unrestricted:

Cash and cash equivalents:

Petty cash	\$ 2,100
KeyBank operating investment sweep	5,517,071

Total unrestricted cash and cash equivalents	5,519,171
----------------------------------------------	-----------

Restricted:

Cash and cash equivalents:

Miscellaneous reserve cash accounts	307,277
KeyBank Money Market Checking	380,337
US Bank Series 2003 Bond Fund (Trust Account)	497,513
US Bank Series 2003 Reserve Fund (Trust Account)	511,866

Total restricted cash and cash equivalents	1,696,993
	<u>\$ 7,216,164</u>

The Authority is empowered by HUD Notice 2001-7 to invest HUD funds in U.S. Treasury Bills, notes and bonds, obligations issued by instrumentalities of the U.S. government, state or municipal depository funds and insured demand savings deposits (excess balances 100% collateralized by federal securities) and other approved instruments.

Custodial credit risk –

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. At December 31, 2006, the carrying amount of the Authority's cash and cash equivalents was \$7,216,164 and the bank balance was \$7,345,684. Of the bank balances, \$300,000 was covered by Federal depository insurance and the remaining balances were held in a sweep account invested in short-term U.S. Government Securities and, therefore, may be exposed to certain credit risk.

(3) Restricted and reserved cash and cash equivalents

The various bond resolutions require that a debt service reserve be maintained by a trustee in a debt service reserve account that is equal to the "Debt Service Reserve Requirement," as defined, on outstanding revenue bonds and that a sinking fund be established to retire bonds at their specified maturity dates beginning 2008. The total amount held for these purposes at December 31, 2006 was approximately \$1,009,379, consisting of restricted cash balances held in financial institutions.

HOUSING AUTHORITY OF SALT LAKE CITY

NOTES TO FINANCIAL STATEMENTS

(3) Restricted and reserved cash and cash equivalents (continued)

Approximately \$498,000 in cash and cash equivalents is restricted for expenditures for housing projects, which will be constructed in the coming fiscal year. An additional \$688,000 is restricted for various deposits and escrows.

(4) Capital assets

Capital asset activity for the eighteen months ended December 31, 2006 was as follows:

	<u>June 30,</u> <u>2005</u>	<u>Increases</u>	<u>Decreases</u>	<u>December 31,</u> <u>2006</u>
Capital assets not being depreciated				
Construction in progress	\$ 3,159,220	\$ 13,487,065	\$ (9,315,977)	\$ 7,330,308
Land	9,195,025	1,558,382	(110,021)	10,643,386
Total non-depreciable assets	<u>12,354,245</u>	<u>15,045,447</u>	<u>(9,425,998)</u>	<u>17,973,694</u>
Capital assets being depreciated:				
Buildings and improvements	62,191,829	9,077,680	(710,380)	70,559,129
Furniture, equipment and machinery	3,746,932	680,229	(916,710)	3,510,451
Total depreciable assets	<u>65,938,761</u>	<u>9,757,909</u>	<u>(1,627,090)</u>	<u>74,069,580</u>
Total capital assets, gross	<u>78,293,006</u>	<u>24,803,356</u>	<u>(11,053,088)</u>	<u>92,043,274</u>
Less accumulated depreciation for:				
Buildings and improvements	20,238,048	3,151,988	(285,137)	23,104,899
Furniture, equipment and machinery	2,722,752	582,845	(921,442)	2,384,155
Total accumulated depreciation	<u>22,960,800</u>	<u>3,734,833</u>	<u>(1,206,579)</u>	<u>25,489,054</u>
Total capital assets, net	<u>\$ 55,332,206</u>	<u>\$ 21,068,523</u>	<u>\$ (9,846,509)</u>	<u>\$ 66,554,220</u>

Construction in progress – Capital improvements made to the Authority's housing are financed by grant funds provided by HUD under capital grants. The funds provided through the grants are used to rehabilitate the housing properties. The grants are awarded annually based on a five year comprehensive modernization plan submitted by the Authority. Construction in progress also includes new construction projects which are yet to be completed and occupied.

Transfers between asset classes of approximately \$9,400,000 are included with the increases and decreases.

HOUSING AUTHORITY OF SALT LAKE CITY

NOTES TO FINANCIAL STATEMENTS

(5) Letters of credit

The Authority has available a secured \$150,000 stand-by letter of credit available from a bank in favor of a mortgage note which matures April 29, 2007. The letter of credit may be released by the lender if the related rental property maintains a debt service coverage ratio of 1 to 1.5 over a period of 3 years. The Authority also has a secured \$75,000 stand-by letter of credit available from a bank in favor of a mortgage note which matures August 1, 2007. The letter of credit may be released after five years. These letters are required as security for the mortgage notes payable. No amounts had been drawn on either letter as of December 31, 2006.

(6) Bonds and notes payable

As of December 31, 2006, bonds and notes payable are summarized as follows:

1.93% to 4.15% 2003 Series Multi-Family Housing Lease Revenue Refunding Bonds, of \$16,120,000 due 2004 to 2024, collateralized by a lease agreement and real property and carried, net of advance refunding difference of \$951,858	\$ 14,187,446
5.1% 2004 Series Mortgage Revenue Bonds of \$5,400,000, due 2007 to 2035, collateralized by real property.	5,400,000
2.95% to 4.80% 2002 Multi-Family Housing Revenue Bonds, of \$3,565,000 due 2003 to 2022, collateralized by real property	3,238,000
8.35% note payable to a bank in monthly installments of \$24,257 including interest, due June 1, 2021, collateralized by real property	3,102,793
5.6% note payable to a bank in monthly installments of \$11,252 including interest, due February 1, 2011, collateralized by real property	964,448
3% note payable to Salt Lake City Corporation in annual installments of \$93,784 including interest, beginning April 1, 2006, due April 1, 2016, collateralized by real property	800,000
3% note payable to Redevelopment Agency of Salt Lake City in annual installments based on available cash flows, due May 1, 2026, collateralized by real property	712,649

HOUSING AUTHORITY OF SALT LAKE CITY

NOTES TO FINANCIAL STATEMENTS

(6) Bonds and notes payable (continued)

3% note payable due to Salt Lake City Corporation in monthly installments of \$2,951 including interest beginning September 2004, and due September 2034, collateralized by real property	665,564
3% note payable to Salt Lake City Corporation in monthly installments of \$3,035 including interest and due June 2022, collateralized by real property	655,173
1.0% mortgage note payable to Department of Housing and Urban Development in annual installments from surplus restricted cash, unpaid principal and interest due June 1, 2034, collateralized by real property	604,765
6% mortgage payable to a bank in monthly installments of \$3,143 including interest, due August 15, 2008, collateralized by real property	510,930
3% note payable to Salt Lake City Corporation in monthly installments of \$8,895 including interest, beginning April 1, 2016, due April 1, 2021, collateralized by real property	495,000
5% note payable to Salt Lake County in annual installments based on available cash flows, due February 1, 2037, collateralized by real property	489,777
3% note payable to Salt Lake City Corporation in monthly installments of \$2,773 including interest, beginning August 1, 2002, due July 1, 2022, collateralized by real property	412,066
Non-interest bearing note payable to Salt Lake City Corporation in annual installments of \$11,667 beginning January 1, 2003 and due January 1, 2030, collateralized by real property	303,333
3% note payable to Salt Lake County in monthly installments of \$1,510 beginning March 1, 2007 and due February 1, 2032, collateralized by real property	308,339

HOUSING AUTHORITY OF SALT LAKE CITY

NOTES TO FINANCIAL STATEMENTS

(6) Bonds and notes payable (continued)

Non-interest bearing note payable to Olene Walker Trust Fund, no payments specified, repayment required if property is sold or converted from low income use, collateralized by real property	247,681
4.89% note payable to Olene Walker Housing Loan Fund in annual installments based on available cash flows, due April 1, 2036, collateralized by real property	228,183
3% note payable to Salt Lake County Division of Community Resources and Development in monthly installments of \$935 including interest, beginning January 2007 and due December 2033, collateralized by real property	212,882
3% note payable to Salt Lake City Corporation in annual installments of various amounts, due July 2015, collateralized by real property.	197,018
Non-interest bearing note payable to Salt Lake City Corporation, payments based on available cash flows, due April 2031, collateralized by real property.	178,511
Non-interest bearing note payable to Olene Walker Housing Loan Fund in annual installments based on available cash flows, due April 1, 2036, collateralized by real property	177,782
4% note payable to Salt Lake County in annual installments of \$18,395, including interest, due July 1, 2016, collateralized by real property	149,203
5% note payable to Salt Lake City Corporation in monthly installments of \$836 including interest, due June 2034, collateralized by real property	149,831
5% note payable to Olene Walker Trust Fund in monthly installments of \$1,152, including interest, due March 1, 2018, collateralized by real property	118,157

HOUSING AUTHORITY OF SALT LAKE CITY

NOTES TO FINANCIAL STATEMENTS

(6) Bonds and notes payable (continued)

Non-interest bearing note payable to Salt Lake City, payments based on available cash flows, due June 2022, collateralized by property	117,284
1% note payable to Salt Lake City Corporation in monthly installments of \$337, including interest, due July 1, 2035, collateralized by real property	100,244
Non-interest bearing note payable to Salt Lake City Corporation in monthly installments of \$833, due December 2013, collateralized by real property	90,000
Non-interest bearing note payable to Salt Lake County, payable in annual installments of \$2,002, due March 1, 2051, collateralized by real property	88,310
3% note payable to the Housing Authority of the County of Salt Lake in annual installments of \$8,402, including interest, due January 2016, collateralized by real property	71,670
3% note payable to Salt Lake City Corporation in monthly installments of \$710 including interest, due July 1, 2016, collateralized by real property	70,255
Non-interest bearing mortgages payable to Salt Lake City Corporation and other entities in various amounts and installments, due at various dates from 2004 to 2015, collateralized by real property	38,196
3% note payable to Salt Lake City Corporation in annual installments of \$1,404 including interest, due December 1, 2020, collateralized by real property	<u>15,527</u>
Total bonds and notes payable	35,101,017
Less current portion	<u>880,703</u>
Noncurrent portion	<u><u>\$ 34,220,314</u></u>

HOUSING AUTHORITY OF SALT LAKE CITY

NOTES TO FINANCIAL STATEMENTS

(6) Bonds and notes payable (continued)

Bond and note maturities and interest costs are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 880,703	\$ 1,459,282	\$ 2,339,985
2008	1,413,663	1,443,543	2,857,206
2009	942,033	1,387,947	2,329,980
2010	976,679	1,350,741	2,327,420
2011	1,021,295	1,310,775	2,332,070
Thereafter	29,866,644	14,100,322	43,966,966
	<u>\$ 35,101,017</u>	<u>\$ 21,052,610</u>	<u>\$ 56,153,627</u>

(7) Changes in liabilities

Liability activity for the eighteen months ended December 31, 2006 was as follows:

	<u>June 30, 2005</u>	<u>Increases</u>	<u>Decreases</u>	<u>December 31, 2006</u>	<u>Current</u>
Bonds payable	\$ 23,338,069	\$ -	\$ (646,000)	\$ 22,692,069	\$ 546,240
Notes payable	11,069,268	2,402,823	(1,063,143)	12,408,948	334,463
	<u>34,407,337</u>	<u>2,402,823</u>	<u>(1,709,143)</u>	<u>35,101,017</u>	<u>880,703</u>
Deposits and accruals	450,747	330,078	(317,057)	463,768	224,327
Total	<u>\$ 34,858,084</u>	<u>\$ 2,732,901</u>	<u>\$ (2,026,200)</u>	<u>\$ 35,564,785</u>	<u>\$ 1,105,030</u>

(8) Shared project

The Authority participates with the Salt Lake County Housing Authority (the County) in the operation of a high-rise apartment complex for low-income elderly persons. The Authority and the County each own the apartment complex as tenants in common. Since the properties are adjacent, the Authority and the County share equally in the management and maintenance of the complex.

The Authority recognizes one-half of the expenditures incurred with this project. The County pays most of the related costs and bills the Authority for their share of costs.

(9) Economic dependency

Approximately 65% of revenues during the eighteen months ended December 31, 2006, (excluding gains and losses) were provided by one Federal Government Agency, HUD.

HOUSING AUTHORITY OF SALT LAKE CITY

NOTES TO FINANCIAL STATEMENTS

(10) Benefit plans

The Authority contributes to the Local Governmental Contributory Retirement System and Local Governmental Non-contributory Retirement System, which are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). The Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes established and amended by the state legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Retirement System and Local Governmental Non-contributory Retirement System. A copy of the report may be obtained from the Systems.

Plan members in the Local Governmental Contributory Retirement System are required to contribute 6.00% of their annual covered salary (all is paid by the employer for the employee) and the Authority is required to contribute an additional 7.58% of their annual covered salary. In the Local Governmental Non-contributory Retirement System, the Authority is required to contribute 11.59% of the annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The Authority's contributions to the Local Governmental Contributory Retirement System for the calendar years ending December 31, 2006, 2005 and 2004 were \$20,021, \$18,256, and \$15,991, respectively and for the Non-contributory Retirement System the contributions for December 31, 2006, 2005 and 2004 were \$354,492, \$336,061, and \$293,964, respectively. The contributions were equal to the required contributions for each plan.

The Authority also participates in the State's 401(k) Plan. Employees covered by any of the state retirement plans are eligible to participate. The Board of the Systems administers this plan.

The Authority incurred expense for employer-paid contributions to the 401(k) plan for the calendar year ended December 31, 2006, 2005 and 2004 of \$83,747, \$81,224, and \$81,904, respectively.

(11) Commitments and contingencies

In the normal course of operations, the Authority receives grant funds from various federal agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Management believes that any liability for reimbursement which may arise as the result of audits of grant funds is not material.

HOUSING AUTHORITY OF SALT LAKE CITY

NOTES TO FINANCIAL STATEMENTS

(11) Commitments and contingencies (continued)

The Authority is subject to claims and lawsuits that arise in the normal course of operations. It is the opinion of management that the disposition or ultimate resolutions of such claims and lawsuits will not have a material adverse affect on the financial position of the Authority.

SUPPLEMENTARY INFORMATION

HOUSING AUTHORITY OF SALT LAKE CITY

Schedule of Financial Data - Asset and Liabilities December 31, 2006

Line Item	Account Description	Section 8 Housing Choice Voucher		Section 8 MOD Rehab. Program		Capital Grant	DWP Program	HOPWA	Transitional Housing	Value House	Shelter Plus Care	Home Funds	Multi Family	Business Activities	State/ Local	TOTAL
		Program	Program	Program	Program											
111	Cash - unrestricted	1,040,841	1,873,546	7,506	-	8,616	-	1,554,529	18,627	-	-	-	-	1,012,352	3,354	5,519,171
112	Cash - restricted - modernization and development	-	-	-	-	-	-	-	-	-	-	-	88,300	351,630	-	440,930
113	Cash - other restricted	76,860	-	-	-	-	-	300	300	-	-	-	239	1,086,290	-	1,165,989
114	Cash - tenant security deposits	20,352	-	-	-	-	-	1,800	6,950	-	-	-	2,560	58,412	-	80,074
100	Total cash	1,137,853	1,873,546	7,506	-	8,616	-	1,556,629	25,877	-	-	-	92,099	2,510,884	3,354	7,216,164
ASSETS:																
CURRENT ASSETS:																
Accounts and notes receivables:																
121	Accounts receivable - PHA projects	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
122	Accounts receivable - HUD other projects	-	236,735	25,192	93,874	8,388	-	23,745	-	43,670	-	-	-	133,333	-	610,415
124	Accounts receivable - other government	4,543	-	-	-	-	-	57,225	109,787	-	-	-	-	304,000	-	489,478
125	Accounts receivable - miscellaneous	-	-	-	-	-	13,923	435	-	-	-	-	-	22,634	-	23,069
126	Accounts receivable - tenants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
126	dwelling rents	88,126	-	-	-	-	-	3,355	12,150	-	-	-	5,747	56,237	-	165,615
126	Allowance for doubtful accounts - dwelling rents	(26,952)	-	-	-	-	-	(1,555)	(2,098)	-	-	-	(4,919)	(13,206)	-	(48,668)
129	Accrued interest receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
120	Total receivables, net of allowances for doubtful accounts	65,177	236,735	25,192	93,874	8,388	13,923	83,205	119,901	43,670	-	-	828	502,968	-	1,238,908
Investments - unrestricted																
131	Investments - restricted	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
132	Accumulated amortization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
142	Prepaid expenses and other assets	117,289	1,983	335	-	-	-	730	1,658	-	-	-	3,242	138,478	-	283,716
143	Inventories	86,685	-	-	-	-	-	-	-	-	-	-	-	86,685	-	86,685
144	Interprogram - due from	-	-	-	-	-	-	-	-	-	-	-	-	3,560,888	-	3,560,888
146	Amounts to be provided	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
150	TOTAL CURRENT ASSETS	1,407,544	2,112,264	33,023	93,874	17,005	13,923	1,540,564	147,458	43,670	-	-	96,169	6,713,048	3,354	12,387,362
NONCURRENT ASSETS:																
Fixed assets:																
161	Land	3,671,338	-	-	-	-	-	153,500	85,898	-	-	50,000	320,500	8,392,150	-	10,643,386
162	Buildings	33,864,232	26,583	-	-	-	-	766,748	575,753	-	-	121,150	1,096,256	33,906,894	-	70,380,618
163	Furniture, equipment & machinery - dwellings	784,828	26,144	-	-	-	-	36,672	8,588	-	-	-	89,612	1,210,731	-	2,156,773
164	Furniture, equipment & machinery - administration	930,146	197,394	16,723	99,085	-	-	-	4,862	-	-	-	3,040	97,614	4,824	1,353,678
165	Leasehold improvements	-	-	-	-	-	-	-	178,511	-	-	-	-	178,511	-	178,511
166	Accumulated depreciation	(16,107,861)	(120,601)	(19,689)	(2,609)	-	-	(195,835)	(180,490)	-	-	(63,565)	(645,237)	(8,181,452)	(4,718)	(25,488,054)
167	Work in progress	36,180	-	-	1,397,020	-	-	-	-	-	-	-	-	5,897,108	-	7,330,308
160	Total fixed assets, net of accumulated depreciation	23,198,861	129,510	34	1,493,499	-	-	791,085	673,122	-	-	107,585	897,373	-	39,293,045	66,554,220
Notes and mortgages receivable - non-current																
174	Other assets	5,123	-	-	-	-	-	-	-	-	-	-	-	7,781	-	12,904
180	TOTAL NONCURRENT ASSETS	23,203,984	129,510	34	1,493,499	-	-	791,085	673,122	-	-	107,585	890,302	-	39,724,048	67,013,275
190	TOTAL ASSETS	\$ 24,611,528	\$ 2,241,774	\$ 33,057	\$ 1,587,373	\$ 17,005	\$ 13,923	\$ 2,431,649	\$ 820,558	\$ 43,670	\$ 107,585	\$ 896,471	\$ 45,487	\$ 48,437,097	\$ 3,460	\$ 79,380,637

HOUSING AUTHORITY OF SALT LAKE CITY

Schedule of Financial Data - Assets and Liabilities

December 31, 2006

Line Item	Account Description	Section 8										Business Activities	State/Local	TOTAL
		Low Rent	Voucher Program	Section 8 MOD Rehab Program	Capital Grant	DVP Program	HOPWA	Transitional Housing	Veteran Housing	Shelter Plus Care	Home Funds	Multi Family	Rent Grant	
		14,850	14,871	14,856	14,872	14,872	14,241	14,235	64,024	14,238	14,239	14,182	14,870	
LIABILITIES AND NET ASSETS:														
LIABILITIES:														
CURRENT LIABILITIES:														
312	Accounts payable < 90 days	\$ 102,004	\$ 27,322	\$ 541	\$ 12,102	\$ -	\$ -	\$ 10,056	\$ 66,276	\$ -	\$ -	\$ 3,136	\$ 31,557	\$ 493,472
313	Accounts payable > 90 days	3,250	67,101	-	-	-	-	35,323	-	-	-	-	-	12,508
321	Accrued wage/payroll taxes payable	42,246	16,269	3,222	-	-	-	2,542	12,344	-	-	1,769	-	16,205
322	Accrued compensated absences	11,073	3,260	575	-	-	-	435	1,779	-	-	300	-	4,420
325	Accrued interest payable	6,561	-	-	-	-	-	-	39	-	-	5,209	-	449,821
331	Accounts payable - HUD PHA programs	-	146,505	3,768	-	-	-	-	-	-	-	-	1,382	-
333	Accounts payable - other government	60,666	-	-	-	-	-	-	75,746	-	-	-	-	-
341	Tenant security deposits	19,231	-	-	-	-	-	1,800	6,950	-	-	2,560	-	58,412
342	Deferred revenue	32,320	1,320,366	-	-	17,005	-	1,078	10,730	-	-	17	-	67,463
343	Current portion of long-term debt - capital projects	22,172	-	-	-	-	-	3,262	851	-	-	2,904	-	851,394
344	Current portion of long-term debt - operating borrowings	-	-	-	-	-	-	-	-	-	-	-	-	-
345	Other current liabilities	753	500	-	-	-	-	-	-	-	-	4,259	-	121,468
346	Accrued liabilities - other	-	-	-	-	-	-	-	-	-	-	-	-	-
347	Inter-program - due to	-	-	-	-	-	-	-	-	-	-	-	-	-
310	TOTAL CURRENT LIABILITIES	300,369	1,583,325	8,106	93,873	17,005	13,923	54,517	177,815	43,670	-	58,441	45,484	5,444,815
NONCURRENT LIABILITIES:														
351	Long-term debt, net of current - capital projects	174,846	-	-	-	-	-	94,208	321,937	-	171,150	762,629	-	32,695,548
353	Noncurrent liabilities - other	76,860	69,543	-	-	-	-	300	300	-	-	239	-	128,911
354	Long-term debt, compensated absences	67,839	35,902	6,314	-	-	-	4,923	19,598	-	-	3,375	-	46,764
350	TOTAL NONCURRENT LIABILITIES	319,545	105,345	6,314	-	-	-	99,429	341,835	-	171,150	766,243	-	32,874,221
300	TOTAL LIABILITIES	619,911	1,688,670	14,420	93,873	17,005	13,923	153,946	519,650	43,670	171,150	824,684	45,484	5,889,036
NET ASSETS:														
508.1	Net Assets less Related Debt	23,001,843	128,510	34	1,493,500	-	-	693,597	350,224	-	(63,665)	101,840	-	5,746,105
505.0	Restricted Net Assets	97,212	-	-	-	-	-	2,100	7,250	-	-	92,069	-	1,496,332
507.0	Unrestricted Net Assets	892,562	423,594	18,603	-	-	-	1,582,006	(56,579)	-	-	(32,152)	3	873,524
513	TOTAL NET ASSETS	23,991,617	553,104	18,637	1,493,500	-	-	2,277,703	300,996	-	(63,665)	161,767	3	8,117,961
600	TOTAL LIABILITIES AND NET ASSETS	\$ 24,611,528	\$ 2,241,774	\$ 33,057	\$ 1,587,373	\$ 17,005	\$ 13,923	\$ 2,431,649	\$ 820,556	\$ 43,670	\$ 107,585	\$ 986,471	\$ 45,487	\$ 79,360,037

Line Item	Account Description	Low Rent	Housing Choice Voucher Program	Section 8 MOD Rehab Program	Capital Grant	DVP Program	HOPWA	Katrina/Rita Disaster Mktc Federal	Transitional Housing	Veter House Surround	Shelter Plus Care	Home Funds	Mult Family	Rent Grant	Business Address	State Local	TOTAL
703	Net tenant rental revenue	-	-	-	-	-	-	-	\$ 43,200	\$ 411,970	-	-	\$ 48,610	-	\$ 7,357,280	-	\$ 10,419,365
704	Tenant revenue - other	126,256	1,228	10	-	-	-	-	6,318	12,343	-	-	5,877	-	248,825	-	388,875
705	Total tenant revenue	2,886,815	1,228	10	-	-	-	-	48,446	423,122	-	-	65,566	-	7,603,235	-	10,819,241
706	HLD PHA grants	1,775,621	18,243,362	1,817,103	200,861	51,799	225,721	-	136,932	-	600,563	-	143,265	-	403,000	-	24,795,287
706.1	Capital grants	-	-	-	974,774	-	-	-	-	-	-	-	-	305,171	-	1,279,945	
706.2	Other government grants	-	-	-	-	-	-	459,019	120,008	1,005,969	-	-	-	-	408,729	28,417	2,022,150
711	Investment income - unrestricted	56,859	75,387	4,509	-	-	-	-	73,919	830	-	-	-	-	121,942	-	332,756
714	Fraud recovery	-	18,116	-	-	-	-	-	-	-	-	-	-	-	-	-	18,116
715	Other revenue	29,567	5,049	-	(3,152)	-	-	-	27,700	16,000	-	-	-	-	2,194,949	-	2,270,112
716	Gain or loss on sale of fixed assets	3,034	(56)	(27)	-	-	-	-	707,385	(91)	-	-	(191)	-	226,452	-	835,385
720	Investment income - restricted	-	-	-	-	-	-	-	-	-	-	-	-	-	50,832	-	50,832
700 TOTAL REVENUE		4,650,888	18,341,084	1,821,585	1,172,593	51,799	225,721	459,019	1,114,860	1,448,830	800,563	-	188,660	305,171	8,720,218	28,417	42,921,555
EXPENSES:																	
Administrative																	
911	Administrative salaries	888,820	830,483	140,439	-	532	10,705	11,117	48,085	470,138	42,825	-	58,876	71,885	920,053	14,917	3,815,278
912	Auditing fees	11,882	36,800	5,659	-	-	-	-	503	1,417	-	-	452	286	80,884	-	117,362
913	Outside management fees	1,120	3,805	590	-	-	-	-	55	133	-	-	36	-	5,383	-	11,322
914	Composited absences	9,713	2,469	-	-	-	-	-	-	-	-	-	1,251	-	11,336	-	24,986
915	Employee benefit contributions	362,496	377,162	59,598	-	229	4,822	4,800	17,462	186,623	18,845	-	25,527	30,989	355,419	8,312	1,036,142
916	Other operating	172,197	321,681	44,238	-	-	-	2,978	6,458	218,655	-	-	6,890	8,859	437,061	-	1,213,447
921	Tenant services - salaries	-	-	-	-	-	-	-	-	-	-	-	-	18,461	-	-	18,461
923	Employee benefit contributions	-	-	-	-	-	-	-	-	-	-	-	-	7,972	-	-	7,972
924	Tenant services - other	28,912	15,631	2,810	-	-	-	-	82,318	478,578	-	-	-	182,086	48,825	3,470	815,129
931	Water	292,486	-	-	-	-	-	-	9,067	2,452	-	-	12,161	-	250,866	-	566,932
932	Electricity	932	280,462	-	-	-	-	-	8,687	1,818	-	-	2,827	-	185,565	-	488,180
933	Gas	233,015	-	-	-	-	-	-	14,795	6,362	-	-	1,072	-	223,454	-	478,686
Ordinary maintenance and operation																	

HOUSING AUTHORITY OF SALT LAKE CITY

Business Activities Combining Schedule of Financial Data - Asset and Liabilities

December 31, 2006

Line Item	Account Description	Pauline Downs, LLC	HAME	Cedarcrest, LLC	Jefferson School Apartments, LLC	JSA II, LLC	Sunrise Metro, LLC	State Fund	Housing Development Corporation	Canterbury Cove	Elimination Entries	Total Business Activities
ASSETS:												
CURRENT ASSETS:												
Cash:												
111	Cash - unrestricted	\$ 68,830	\$ 388,428	\$ -	\$ 5,649	\$ 33,583	\$ -	\$ 51,372	\$ 357,592	\$ 108,598	\$ 300	\$ - \$ 1,012,352
112	Cash - restricted - modernization and development	-	-	-	126,177	91,800	-	-	-	133,953	-	351,830
113	Cash - other restricted	10,609	1,567	300	8,848	8,185	-	-	1,046,070	6,732	5,979	1,088,290
114	Cash - tenant security deposits	5,616	1,763	1,350	10,642	6,245	-	-	26,848	2,320	1,626	56,412
100	Total cash	85,067	391,758	1,650	151,316	139,813	-	51,372	1,432,510	115,650	141,558	2,510,854
Accounts and notes receivable:												
121	Accounts receivable - PHA projects	-	-	-	-	-	-	-	-	-	-	-
122	Accounts receivable - HUD other projects	-	133,333	-	-	-	-	-	-	-	-	133,333
124	Accounts receivable - other government	-	300,000	-	-	-	-	4,000	-	-	-	304,000
125	Accounts receivable - miscellaneous	-	-	-	-	-	-	22,634	-	-	-	22,634
126	Accounts receivable - tenants - dwelling rents	18,289	4,230	2,930	484	616	-	-	16,651	10,060	2,947	56,237
126	Allowance for doubtful accounts - dwelling rents	(6,566)	-	(1,809)	-	(87)	-	-	-	(3,852)	(1,115)	(13,208)
129	Accrued interest receivable	-	-	-	-	-	-	-	-	-	-	-
120	Total receivables, net of allowances for doubtful accounts	11,723	437,563	1,124	484	549	-	26,634	16,651	6,438	1,832	502,958
Investments - unrestricted												
131	Investments - restricted	-	1,687,838	-	-	-	-	352,270	-	-	-	(2,040,108)
132	Accumulated amortization	-	-	-	-	-	-	-	-	-	-	-
142	Prepaid expenses and other assets	20,476	5,104	2,537	18,883	22,544	-	-	41,995	15,757	11,183	138,479
143	Inventories	-	-	-	-	-	-	-	-	-	-	-
144	Interprogram - due from	-	100,000	-	-	-	-	3,460,888	-	-	-	3,560,888
146	Amounts to be provided	-	-	-	-	-	-	-	-	-	-	-
150	TOTAL CURRENT ASSETS	117,296	2,622,283	5,311	170,683	162,906	-	3,891,164	1,491,156	137,845	154,573	6,713,045
NONCURRENT ASSETS:												
Fixed assets:												
161	Land	100,000	224,000	23,500	-	1,148,398	1,588,382	1,095,146	1,105,743	328,883	745,000	6,362,150
162	Buildings	3,361,884	1,177,102	386,336	6,914,35	7,544,208	-	21,899	10,549,981	1,505,878	3,445,471	33,906,894
163	Furniture, equipment & machinery - dwellings	471,614	24,619	6,663	92,454	127,879	-	-	183,940	90,404	212,949	1,210,731
164	Furniture, equipment & machinery - administration	4,652	1,650	1,419	18,918	15,591	-	25,581	22,742	6,881	-	97,614
165	Leasehold improvements	-	-	-	-	-	-	-	-	-	-	-
166	Accumulated depreciation	(1,744,688)	(359,040)	(213,430)	(963,691)	(263,711)	-	(27,365)	(3,567,303)	(495,897)	(485,587)	(8,181,652)
167	Work in progress	-	-	-	-	-	-	-	-	-	-	-
160	Total fixed assets, net of accumulated depreciation	2,193,662	1,067,881	204,488	5,031,516	8,572,363	7,485,490	1,116,261	8,265,112	1,436,429	3,917,633	38,263,045
Notes and mortgages receivable - non-current												
171	Notes and mortgages receivable - non-current	1,910	-	-	-	-	-	-	1,080	4,781	-	7,781
174	Other assets	58,128	-	1,331	151,181	40,000	-	-	126,537	-	42,035	423,222
180	TOTAL NONCURRENT ASSETS	2,254,700	1,067,881	205,819	5,182,707	8,612,363	7,485,490	1,116,261	8,395,729	1,441,220	3,959,668	38,774,048
190	TOTAL ASSETS	\$ 2,371,956	\$ 3,690,154	\$ 211,130	\$ 5,353,390	\$ 8,775,269	\$ 7,485,490	\$ 5,009,425	\$ 9,866,885	\$ 1,579,665	\$ 4,114,441	\$ 46,437,087

HOUSING AUTHORITY OF SALT LAKE CITY

Business Activities Combining Schedule of Financial Data - Assets and Liabilities

December 31, 2006

Line Item	Account Description	Pauline Downs, LLC	HAME	Codewrest, LLC	Jefferson School Apartments, LLC	USA II, LLC	Summit Metro, LLC	State Fund	Housing Corporation	Canterbury Cove	Elimination Entries	Total Business Activities
LIABILITIES AND NET ASSETS:												
LIABILITIES:												
CURRENT LIABILITIES:												
312	Accounts payable < 90 days	\$ 8,759	\$ 2,824	\$ 757	\$ 5,577	\$ 19,936	\$ 428,128	\$ 2,167	\$ 12,555	\$ 8,838	\$ 1,891	\$ 483,472
313	Accounts payable > 90 days	-	-	-	-	-	-	12,508	-	-	-	12,508
321	Accrued wage/payroll taxes payable	1,771	1,073	-	2,415	1,436	-	2,907	4,369	1,303	931	16,205
322	Accrued compensated absences	671	178	74	606	428	-	585	1,161	404	293	4,420
325	Accrued interest payable	6,820	2,815	-	20,908	45,368	-	1,030	317,768	-	54,111	448,821
331	Accounts payable - HUD PHA programs	-	-	-	-	-	-	-	-	-	-	-
333	Accounts payable - other government	-	-	-	-	-	-	-	-	-	-	-
341	Tenant security deposits	5,618	1,763	1,350	10,642	6,245	-	-	28,848	2,320	1,626	58,412
342	Deferred revenues	10,105	885	294	8,523	6,594	-	2,400	34,917	1,821	1,952	67,493
343	Current portion of long-term debt - capital projects	84,516	13,331	3,889	41,478	92,145	-	40,316	386,949	71,769	108,989	851,394
344	Current portion of long-term debt - operating borrowings	-	-	-	-	-	-	-	-	-	-	-
345	Other current liabilities	-	-	-	501	49,686	-	71,271	-	-	-	121,468
346	Accrued liabilities - other	-	-	-	-	-	-	-	-	-	-	-
347	Inter-program - due to	141,379	-	58,518	790,043	1,179,000	753,604	-	46,412	16,000	385,786	3,370,722
310	TOTAL CURRENT LIABILITIES	260,642	22,870	64,892	880,694	1,400,848	1,182,732	133,184	843,039	102,455	553,559	6,444,915
NONCURRENT LIABILITIES:												
351	Long-term debt, net of current capital projects	1,141,844	567,854	11,863	3,178,472	6,186,301	1,608,391	933,422	13,938,700	1,223,231	3,903,468	32,895,546
353	Noncurrent liabilities - other	10,809	1,587	300	8,848	8,185	-	50,000	36,691	6,732	5,979	128,811
354	Long-term debt, compensated absences	7,633	1,978	867	6,791	4,831	-	6,514	13,270	4,577	3,303	49,764
350	TOTAL NONCURRENT LIABILITIES	1,160,086	571,398	13,030	3,195,111	6,199,317	1,608,391	999,936	13,988,661	1,234,540	3,912,750	32,874,221
300	TOTAL LIABILITIES	1,420,728	594,268	77,922	4,075,805	7,600,165	2,791,123	1,123,120	14,832,700	1,336,995	4,466,309	38,319,136
NET ASSETS:												
508.1	Net Assets less Related Debt	967,300	486,706	188,726	1,810,566	2,293,917	5,877,099	144,523	(6,071,537)	141,429	(92,624)	5,746,105
505.0	Restricted Net Assets	16,227	3,330	1,650	145,667	106,230	-	-	1,074,918	9,052	141,258	1,498,332
507.0	Unrestricted Net Assets	(32,289)	2,605,849	(67,168)	(678,848)	(1,225,043)	(1,182,732)	3,741,782	50,804	81,589	(400,502)	873,524
513	TOTAL NET ASSETS	951,228	3,095,885	133,208	1,277,565	1,175,104	4,694,367	3,866,305	(4,945,815)	242,070	(351,869)	8,117,861
600	TOTAL LIABILITIES AND NET ASSETS	\$ 2,371,956	\$ 3,690,154	\$ 211,130	\$ 5,353,390	\$ 8,775,269	\$ 7,485,490	\$ 5,009,425	\$ 9,886,885	\$ 1,579,065	\$ 4,114,441	\$ 46,437,097

HOUSING AUTHORITY OF SALT LAKE CITY

Business Activities Combining Schedule of Financial Data - Revenues and Expenses

December 31, 2006

Line Item	Account Description	Paulina Doms, LLC	HAME	Cedarcrest, LLC	Jefferson School Apartments, LLC	USA II, LLC	Sumrise Micro, LLC	State Fund	Housing Development Corporation	Camdenbury Cove	Elimination Entries	Total Business Activities
REVENUE:												
703	Net tenant rental revenue	\$1,119,590	\$389,898	\$53,114	\$1,305,944	\$641,432	\$-	\$-	\$2,310,283	\$807,988	\$729,031	\$7,357,260
704	Tenant revenue - other	71,737	9,727	8,459	49,659	20,706	-	-	59,960	18,573	10,134	248,855
705	Total tenant revenue	1,191,327	399,625	61,573	1,355,603	662,138	-	-	2,370,243	826,561	739,165	7,606,235
706	HUD PHA grants	-	-	-	-	-	-	-	-	-	-	400,000
706.1	Capital grants	-	-	-	-	-	-	-	-	-	-	-
708	Other government grants	-	300,000	-	-	-	-	78,728	-	-	-	400,728
711	Investment income - unrestricted	3,580	38,393	-	6,295	-	1,312	46,044	26,430	5,888	-	121,942
715	Other revenue	-	1,154,246	-	-	-	-	1,338,422	350,486	725	-	2,194,948
716	Gain or loss on the sale of fixed assets	(1,860)	233,843	(261)	(2,440)	-	-	(34)	(2,907)	(789)	-	226,432
720	Investment income - restricted	-	-	-	1,960	-	-	-	44,551	-	-	50,922
700	TOTAL REVENUE	1,192,957	2,526,107	91,312	1,361,018	662,138	1,312	1,455,161	2,769,743	832,415	743,889	11,008,218
EXPENSES:												
Administrative												
911	Administrative salaries	104,081	97,063	2,844	159,080	72,043	17,862	137,787	215,242	66,046	48,005	920,053
912	Auditing fees	3,117	898	-	35,661	14,344	-	-	3,582	1,410	-	60,854
913	Outside management fees	200	68	21	148	29	-	4,500	351	138	128	5,553
914	Compensated absences	1,122	-	383	1,685	8,370	-	-	2,385	961	-	11,536
915	Employee benefit contributions	38,165	26,320	1,252	57,915	26,360	7,714	72,823	83,236	22,515	17,119	356,419
916	Other operating	76,436	95,577	13,972	180,755	64,021	5,554	34,176	124,913	33,830	30,292	431,091
Tenant services												
921	Tenant services - salaries	-	-	-	-	-	-	-	-	-	-	-
922	Employee benefit contributions	-	-	-	-	-	-	-	-	-	-	-
924	Tenant services - other	4,689	1,362	42	4,082	2,280	-	1,508	27,225	2,375	2,281	45,825
Utilities												
931	Water	31,905	20,403	5,715	25,509	28,007	728	468	61,427	43,155	32,330	250,866
932	Electricity	54,878	4,353	7,534	12,773	6,787	-	5,866	94,028	5,266	4,250	195,565
933	Gas	121,619	3,178	8,167	7,292	5,571	-	6,598	63,685	5,501	1,812	223,454
Ordinary maintenance and operation												
941	Labor	113,902	16,359	18,657	61,895	43,870	-	30,717	99,787	47,362	30,281	460,890
942	Materials and other	35,813	18,080	7,852	33,748	8,344	434	2,298	86,705	48,513	31,770	274,435
943	Contract costs	100,979	47,141	20,823	71,426	14,348	-	13,683	150,825	88,833	60,301	558,459
945	Employee benefit contributions	44,484	6,580	7,234	24,208	17,375	-	11,702	39,674	18,851	12,042	182,160
Protective services												
951	Protective services - labor	-	-	-	-	-	-	-	-	-	-	-
955	Employee benefit contributions	-	-	-	-	-	-	-	-	-	-	-
General expenses												
961	Insurance premiums	55,753	15,843	7,782	50,772	30,219	-	-	85,340	31,937	23,953	301,219
962	Other general expenses	50,534	6,857	470	42,865	38,065	-	977	75,878	348,343	20,636	188,359
963	Payments in lieu of taxes	-	-	-	-	-	-	-	-	-	-	-
964	Bad debt - tenant rents	51,340	4,904	7,421	10,073	2,007	-	-	3,926	18,598	6,477	104,746
967	Interest expense	114,108	75,902	3,636	504,782	258,843	-	32,750	934,983	-	288,286	2,191,270
967	Severance expense	168	73	3	210	128	-	227	390	111	89	1,395
969	TOTAL OPERATING EXPENSES	1,003,231	443,889	112,178	1,285,050	638,009	32,293	356,098	2,155,562	782,478	580,838	8,782,000
970	EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	189,726	2,082,218	(20,864)	75,968	23,128	(30,981)	1,099,063	633,181	48,939	153,050	4,256,209
Extraordinary												
971	Extraordinary maintenance	1,380	1,848	-	2,631	-	-	-	7,527	1,948	-	15,334
972	Casualty losses - non-capitalized	-	-	-	-	-	-	-	1,156	100	-	1,256
973	Housing assistance payments	-	-	-	-	-	-	78,265	-	-	-	78,265
974	Depreciation expense	350,502	75,443	37,080	528,844	264,211	-	5,572	685,157	80,750	164,946	2,082,538
900	TOTAL EXPENSES	1,355,113	521,280	149,258	1,815,525	903,220	32,293	440,905	2,749,402	865,274	755,895	8,940,372
OTHER FUNDING SOURCES (USES)												
1008	Extraordinary expense	-	-	-	-	-	-	-	-	-	-	-
1000	EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TOTAL EXPENSES	(162,156)	2,004,847	(57,944)	(465,507)	(241,082)	(30,981)	1,014,228	38,341	(32,859)	1,880	2,007,846
MEMO account information												
1101	Capital outlays	16,562	478	226	228	-	-	-	6,546	28,554	-	56,522
1102	Debt principal payments - enterprise funds	138,114	24,804	37,539	71,400	70,211	-	42,305	589,839	4,000	46,054	1,018,386
1103	Beginning equity	1,113,364	789,881	124,852	1,733,082	484,843	302,035	2,872,078	(4,885,159)	274,528	(338,893)	1,938,691
1104	Prior period adjustments and equity transfers	-	301,177	66,300	-	931,543	4,423,313	-	-	-	-	4,111,424
1120	Unit months available	2,688	768	288	2,016	1,140	-	-	3,546	1,386	1,278	13,110
1121	Number of unit months leased	2,493	724	265	1,928	990	-	-	3,445	1,331	1,233	12,348

SINGLE AUDIT AND
GOVERNMENTAL REPORTS

HOUSING AUTHORITY OF SALT LAKE CITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Eighteen month period ended December 31, 2006

<u>Agency/Program Grant Title</u>	<u>Federal CFDA Number</u>	<u>Federal Assistance ID Number</u>	<u>Amount of Expenditures</u>
United States Department of Housing and Urban Development (HUD)			
Section 8 Subsidized Housing Programs - Direct Awards:			
Moderate Rehabilitation	14.856	UT004MR002	\$ 1,817,103
Housing Choice Vouchers	14.871	UT004V0	19,243,352
New Construction	14.182	UT99-H001-018	143,265
Public Housing Programs - Direct Awards:			
Public and Indian Housing	14.850	UT06-P004-31	1,775,621
Capital Grant	14.872	UT06-P004-509	1,172,583
Other Programs - Direct Awards:			
Resident Opportunities and Self Sufficiency Grant	14.870	UT99RSF004PO172	305,170
Shelter Care Plus	14.238	UT00931186	800,562
Supportive Housing Program	14.235	UT00B800007	136,902
Disaster Voucher Program	14.UKN		51,799
Pass-through programs from State of Utah, Department of Community and Economic Development:			
Housing Opportunities for Persons with Aids	14.241	100/710-953/8	<u>225,721</u>
Total HUD			<u>25,672,078</u>
U.S. Department of Veterans Affairs			
Direct Awards:			
Homeless Providers Program	64.024	98008UT/0530UT	<u>1,008,959</u>
U.S. Department of Homeland Security			
Pass-through programs from State of Utah, Department of Community and Economic Development:			
Katrina/Rita Disaster Relief	97.UKN		<u>456,019</u>
Total Federal Expenditures			<u>\$27,137,056</u>

HOUSING AUTHORITY OF SALT LAKE CITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Eighteen month period ended December 31, 2006

Notes to Schedule of Expenditures of Federal Awards

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Housing Authority of Salt Lake City and its blended component units, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

The accompanying schedule does not include the federal grant activity of Housing Assistance Management Enterprise (HAME), a component unit of the Housing Authority of Salt Lake City because HAME has a separate audit performed of its federal awards in accordance with Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. HAME expended \$700,000 in federal awards during the eighteen month period ended December 31, 2006.



Mayer Hoffman McCann P.C.

An Independent CPA Firm

175 South West Temple, Suite 650
Salt Lake City, Utah 84101
801-364-9300 ph
801-364-9301 fx
www.mhm-pc.com

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Commissioners

HOUSING AUTHORITY OF SALT LAKE CITY

We have audited the financial statements of the Housing Authority of Salt Lake City (the Authority), as of and for the eighteen months ended December 31, 2006, and have issued our report thereon dated August 1, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2006-01, 2006-02 and 2006-03 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies noted above, we consider 2006-01, 2006-02 and 2006-03 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed a matter that is required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of findings and questioned costs as item 2006-04.

The Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Authority's response and accordingly, we express no opinion on it.

This report is intended for the information of management, the Board of Commissioners, and federal and state awarding agencies. It is not intended to be and should not be used by anyone other than these specified parties.

Mayer Hoffman McLaw P.C.

Salt Lake City, Utah
August 1, 2007



Mayer Hoffman McCann P.C.

An Independent CPA Firm

175 South West Temple, Suite 650
Salt Lake City, Utah 84101
801-364-9300 ph
801-364-9301 fx
www.mhm-pc.com

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Commissioners

HOUSING AUTHORITY OF SALT LAKE CITY

Compliance

We have audited the compliance of the Housing Authority of Salt Lake City (the Authority), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the eighteen months ended December 31, 2006. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion the Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the eighteen months ended December 31, 2006.

Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2006-04 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal controls. Our consideration of internal control over compliance would not necessarily disclose all matters in internal control that might be significant deficiencies and accordingly, would not disclose all significant deficiencies that are also considered to be material weaknesses. The significant deficiency in internal control over compliance described above and in the accompanying schedule of findings and questioned costs as 2006-04 is considered to be a material weakness.

The Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Authority's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of management, the Board of Commissioners, and federal and state awarding agencies and is not intended to be and should not be used by anyone other than those specified parties.

Mayer Hoffman McCann P.C.

Salt Lake City, Utah
August 1, 2007

HOUSING AUTHORITY OF SALT LAKE CITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Eighteen months ended December 31, 2006

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Significant deficiencies identified X yes ___no
- Significant deficiencies identified that are considered to be material weaknesses? X yes ___no

Noncompliance material to financial statements noted? ___yes X no

FEDERAL AWARDS

Internal control over compliance for major programs:

- Significant deficiency identified X yes ___no
- Significant deficiency identified that is considered to be material weaknesses? X yes ___no

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? X yes ___no

IDENTIFICATION OF MAJOR PROGRAMS:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.871	Housing Choice Vouchers
14.856	Moderate Rehabilitation
Dollar threshold used to distinguish between type A and type B programs:	\$824,265
Auditee qualified as low-risk auditee?	<u>X</u> yes ___no

HOUSING AUTHORITY OF SALT LAKE CITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Eighteen month period ended December 31, 2006

SECTION II - FINANCIAL STATEMENT FINDINGS

Item: 2006-01

Subject: Internal Controls over Financial Reporting

Condition: The Authority has traditionally relied on their external auditing firm to prepare their annual external financial statements; including all financial statement footnotes, disclosures and supplementary information in order to insure that they are presented in accordance with generally accepted accounting principles and with AICPA and GAGAS auditing standards.

A new auditing standard was issued and became effective October of 2006. The new standard requires that the auditors report a deficiency if the client places reliance on the auditing firm to prepare their annual external financial statements.

While the Authority is very involved at this time in providing support and preparing the REAC report significant reliance is still placed on the external auditors during the process. The Authority has had numerous discussions with the auditing firm and is transitioning the process. However as of December 31, 2006 the external auditors were significantly involved in this process.

Criteria: The Authority should have adequate procedures in place to insure that their external financial statements are prepared in accordance with generally accepted accounting principles and AICPA and GAGAS standards in order to detect, prevent and correct material misstatements in the financial statements and related footnotes. This is required by a new Statement on Auditing Standards (SAS 112, *Communicating Internal Control Related Matters Identified in an Audit*) which has become effective for all December 31, 2006 year end financial statements. This standard provides guidance when reporting internal control deficiencies, including controls over financial statement preparation. If an independent auditor is involved in the preparation of financial statements the auditee must have adequate controls in place so that the auditor is not functioning as a part of the internal control system. This could include the auditee itself being responsible for the financial statement preparation or the auditee or a member of the auditees board possessing the requisite knowledge that would enable them to detect, prevent and correct material misstatements in the financial statements, and related footnotes.

Effect: This could result in a material misstatement in the financial statements or related footnotes that would not be prevented, detected or corrected by the Authority's internal control system.

Recommendation: The Authority should design and implement effective internal controls over financial reporting that would prevent or detect material misstatements in the preparation of the financial statements. The Authority should consider additional training for existing personnel or reliance on an external consultant or board member to perform a comprehensive informed review of the financial statements in order to detect any misstatements or errors.

HOUSING AUTHORITY OF SALT LAKE CITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Eighteen month period ended December 31, 2006

Item: 2006-02

Subject: Accounting for Internally Constructed Assets

Condition: During our audit of fixed assets and internally constructed assets, we noted that certain internally constructed assets related to one property were not placed in service when substantially completed. In addition, we noted that property taxes and interest were not properly capitalized as part of construction costs for another project.

Criteria: Depreciation on internally constructed assets should begin when the project is substantially complete and placed in service. Certain expenses such as property taxes and interest should be capitalized as part of the costs of internally constructed assets.

Effect: If a project is not placed in service when substantially complete, fixed assets would be overstated and depreciation expense understated. Without proper capitalization of property taxes and interest as part of construction costs, fixed assets would be understated and expenses overstated.

Recommendation: The Authority should review its internal policies for capitalization of internally constructed assets and establish policies to ensure compliance with applicable accounting standards. These policies should include a definition of substantially complete, costs that are capitalized as part of construction costs, and procedures for capitalizing construction period interest.

Item: 2006-03

Subject: Funding Recognition and Identification of Grant Requirements

Condition: During our audit, we noted that certain federal awards and other contributions were recorded correctly in regards to the amount of funding received but were not recorded in the correct fund in accordance with the agreements. These federal awards and other contributions were recorded in the project's (Sunrise Metro, LLC) accounting records when they should have been recorded in the general partner's (HAME) accounting records and then passed on to the project through capital contributions. In addition, the Authority did not identify the reporting requirements under the terms of the grant, including the need for a single audit for HAME.

Criteria: Funding (including federal grants) should be recorded in the entity to which it was awarded based on grant letters, pledges and other supporting documentation. Single audits are required to be performed on all entities receiving over \$500,000 in federal funding.

Effect: Revenues and receivables would be overstated in one entity and understated in another entity. Also, requirements related to federal funding, such as a Single Audit, could be missed resulting in improper reporting.

HOUSING AUTHORITY OF SALT LAKE CITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Eighteen month period ended December 31, 2006

Recommendation: The Authority should review its internal controls over financial reporting and implement changes to create an effective system for identifying grant requirements in a timely manner. All funding agreements including supporting documentation should be reviewed regularly to ensure that they are being reported correctly in the proper entity. This review should also include a determination of any additional compliance or auditing requirements required including the Single Audit Act and requirements of the state auditor. Management should consult with professional accountants, lawyers, and government contacts regarding proper treatment when considered necessary.

Item: 2006-04

Department of Housing and Urban Development
CFDA # 14.871, Housing Choice Vouchers, UT 004V0

Subject: Procurement Policies and Conflict of Interest

Condition: During our audit, it was brought to our attention that certain transactions involving an employee were inconsistent with HUD procurement policies. These transactions were reviewed by HUD and their concerns were communicated to the Authority who settled the matter of questioned costs with HUD. Charges have been filed against the individual involved in this matter. This is a matter of public record. No resolution has been reached as of the date of the audit report.

Criteria: Compliance with HUD procurement policies and the compliance requirements related to allowable costs came into question based on the review by HUD.

Effect: If procurement procedures are not followed and conflict of interest policies and standards are not enforced by those charged with governance employees could override controls and approve expenditures that may be disallowed by funding agencies. This could result in questioned costs relating to federal grants.

Recommendation: Management and the Board of Commissioners should perform a review of controls related to procurement policies. In addition they should review the existing conflict of interest and procurement policies for effectiveness and take the necessary steps to insure that they are implemented and followed by all employees.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Item: 2006-04

Department of Housing and Urban Development
CFDA # 14.871, Housing Choice Vouchers, UT 004V0

Subject: Procurement Policies and Conflict of Interest

Condition: During our audit, it was brought to our attention that certain transactions involving an employee were inconsistent with HUD procurement policies. These transactions were reviewed by HUD and their concerns were communicated to the Authority who settled the matter of questioned costs with HUD. Charges have been filed against

HOUSING AUTHORITY OF SALT LAKE CITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Eighteen months ended December 31, 2006

the individual involved in this matter. This is a matter of public record. No resolution has been reached as of the date of the audit report.

Criteria: Compliance with HUD procurement policies and the compliance requirements related to allowable costs came into question based on the review by HUD.

Effect: If procurement procedures are not followed and conflict of interest policies and standards are not enforced by those charged with governance employees could override controls and approve expenditures that may be disallowed by funding agencies. This could result in questioned costs relating to federal grants.

Recommendation: Management and the Board of Commissioners should perform a review of controls related to procurement policies. In addition they should review the existing conflict of interest and procurement policies for effectiveness and take the necessary steps to insure that they are implemented and followed by all employees.

SECTION IV – STATUS OF PRIOR AUDIT FINDINGS

Department of Housing and Urban Development.

There were no prior audit findings to report.

U.S. Department of Veterans Affairs.

There were no prior audit findings to report.

SECTION V – CORRECTIVE ACTION PLAN

Item: 2006-01

Subject: Internal Controls over Financial Reporting

Name of Contact Person: Kathy Ricci, Finance/Human Resource Manager

Phone Number: (801) 487-2161

Anticipated completion date: December 31, 2007

Corrective Action: Management is aware of the new accounting change that requires internal controls over Financial Reporting. As this notice became effective in October 2006 the Authority was left with a very short timeframe to implement this requirement. The Authority also was engaged in an 18 month audit and it was necessary to have the auditors perform this audit and prepare the financial reports. The Authority staff and Board will define the internal controls to be implemented in regard to the preparation of the financial reporting for the 2007 audit.

HOUSING AUTHORITY OF SALT LAKE CITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Eighteen month period ended December 31, 2006

Item: 2006-02

Subject: Accounting for Internally Constructed Assets

Name of Contact Person: Kathy Ricci, Finance/Human Resource Manager

Phone Number: (801) 487-2161

Anticipated completion date: December 31, 2007

Corrective Action: Management has reviewed accounting policies and procedures in capitalizing fixed assets. The JSA II was extremely difficult to close because of the nature of the funding source. There was a change in personal handling the loan on the lenders end. It was important to us to try and capture all the appropriate costs at the time of closing. Our current software has a difficult time recognizing several capitalizations of the same asset. The new software should be more user friendly and allow us some flexibility in this area.

Item: 2006-03

Subject: Funding Recognition and Identification of Grant Requirements

Name of Contact Person: Kathy Ricci, Finance/Human Resource Manager

Phone Number: (801) 487-2161

Anticipated completion date: December 31, 2007

Corrective Action: We agree with the finding regarding the recognition of contributions and federal grants in the wrong fund. Sunrise was originally set up to be owned and managed by Homeless Housing Partnership. There was a lack of communication between those requesting funds and the Finance Division. This has since been addressed by having regular meetings between all parties involved in the financing and fund raising. Some funds were brought directly into the Sunrise Project, others were brought into HAME and passed through to Sunrise. All grants and donations should have been brought into HAME first and then moved to Sunrise through a capital contribution. There is no question that all funds were accounted for appropriately.

Item: 2006-04

Subject: Oversight of Procurement and Conflict of Interest Policies

Name of Contact Person: Kathy Ricci, Finance/Human Resource Manager

Phone Number: (801) 487-2161

Anticipated completion date: December 31, 2007

HOUSING AUTHORITY OF SALT LAKE CITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Eighteen months ended December 31, 2006

Corrective Action: The Procurement Policy was rewritten to be more specific and to strengthen the language concerning conflict of interest. HUD approved and the Board of Commissioners passed the new stricter Conflict of Interest Policy as part of the new Procurement Policy. The Board and staff will review the whistle blower policy to determine if additional protection is needed for the reporting person. New staff will receive training on the Whistle Blower Policy and current staff will be reminded of it. The Authority will have a dedicated phone line for reporting illegal activities directly to the Board Chair. The Board of Commissioners will continue to monitor hiring practices and encourage closer communication with staff.

**MHM****Mayer Hoffman McCann P.C.**

An Independent CPA Firm

175 South West Temple, Suite 650

Salt Lake City, Utah 84101

801-364-9300 ph

801-364-9301 fx

www.mhm-pc.com

**REPORT ON LEGAL COMPLIANCE WITH APPLICABLE
UTAH STATE LAWS AND REGULATIONS**

We have audited the financial statements of the Housing Authority of Salt Lake City (the Authority), for the eighteen months ended December 31, 2006, and have issued our report thereon dated August 1, 2007.

Our audit included test work on the Authority's compliance with applicable general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt

Purchasing Requirements

Critical Needs Housing

Cash Management

Budgetary compliance

Other General Compliance Issues

The Authority did not receive any major or nonmajor state grants during the eighteen months ended December 31, 2006.

The management of the Authority is responsible for the Authority's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Authority complied, in all material respects, with the general compliance requirements identified above for the eighteen months ended December 31, 2006.



Salt Lake City, Utah
August 1, 2007